

DRAFT  
2:34 p.m.  
Monday, August 21, 2006

FOR IMMEDIATE RELEASE  
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## GOVERNOR BARBOUR'S SPECIAL SESSION CALL INCLUDES VARIETY OF PRESSING ISSUES

JACKSON, Mississippi – Governor Haley Barbour's official call for a special session of the Mississippi Legislature seeks state incentives for a huge economic development project in DeSoto County, as well as eliminating barriers for construction of new housing and financial assistance for cash-strapped local governments on the Mississippi Coast.

In releasing the official call, or agenda, for the special session to begin at 9 a.m. Thursday, Governor Barbour said he will also ask lawmakers approve a project to expand Magee General Hospital. A bill that would have allowed the City of Magee to issue bonds to finance a \$25 million hospital expansion was among several local and private bills that failed in the final days of the 2006 regular session.

"Working with the leadership of the House and Senate, I believe we have developed a plan to deal with issues that require immediate action," Governor Barbour said. "I am hopeful this special session will be short and productive."

Here is a summary of some issues in the call:

1. Riverbend Crossing: Certain elements of the proposed Riverbend Crossing project in DeSoto County, which includes a Metro-Goldwyn-Mayer Company (MGM) entertainment district, require legislative action before they can go forward. Riverbend is a 4,500-acre multi-phase master planned community that will consist of a blend of commercial, recreational, resort, tourism and residential development.

Developers have stated their intention to invest \$2.7 billion over 15 years. In the first phase, in return for state support, developers have committed a minimum capital investment of \$475 million and creation of a minimum of 3,500 new, full-time jobs.

The Legislature is being asked to approve \$23 million for public infrastructure – roads, water and sewer – to serve the project and a tourism sales tax rebate that is limited to 30 percent of capital expenditures for each eligible project investment for 10 years. This sales tax rebate will equal 80 percent of the sales tax collected from each eligible project under a total rebate ceiling of \$150 million for the Riverbend project.

2. Removing barriers to housing on the Coast: The number one priority and challenge in Mississippi caused by Katrina is housing. According to data compiled by FEMA, HUD and SBA, more than 240,000 units of housing were damaged by Katrina statewide, representing 23 percent of the state's occupied housing units. Nearly 80,000 units of housing suffered major or severe damage, or were destroyed, approximately 53,000 of which were in the three coastal counties.

To rebuild quickly and efficiently, we must not rely on just the pre-Katrina housing solutions. Due to labor supply constraints, the State of Mississippi must encourage alternatives to conventional, site-built, "stick-built" homes. One such alternative is modular housing.

"Modular homes" are often confused with "manufactured housing" (also referred to as mobile homes) since they are both "manufactured" in a plant. However, there are substantial differences between the two. Mobile homes are built to the HUD code, which is a national code governing the manufactured housing industry. Modular housing is typically built to comply with the local building codes governing conventional construction, e.g. the International Residential Code. Therefore, the construction of modular housing is virtually the same as conventionally built home and they qualify for conventional mortgage financing.

Modular housing under Mississippi law is taxed at 7 percent while manufactured housing is taxed at 3 percent. Governor Barbour will ask the Legislature to reduce the tax on modular housing to the same level as manufactured housing in order to encourage more production of housing units to better serve the housing needs of residents victimized by Katrina.

3. Financial help to Coast cities and counties: Since Hurricane Katrina, city and county governments in the most heavily impacted areas have suffered financially during a time of increased need for public services. The widespread destruction of homes and businesses along the Gulf Coast has impacted sales and property tax revenue. Although many cities are benefiting from significantly increased sales tax revenue, it is not universal. Moreover, county governments do not receive a share of sales tax revenue.

Since Katrina, the Governor's office has worked closely with State Treasurer Tate Reeves and the Department of Finance and Administration to help South Mississippi governments with their financial needs. DFA has worked with FEMA to administer the federal Community Disaster Loan program, resulting in \$263 million in approved state-guaranteed loans to local governments, school districts, and community colleges. In addition, the State Treasurer worked with the Mississippi Development Bank to create a loan program that made \$148 million available to local governments, school districts, and community colleges. For

most, these loans are sufficient to meet the cash flow needs as local economies rebound.

However, some cities and counties are in need of extra help. In consultation with numerous local elected officials, the Governor and State Treasurer propose that the Legislature make approximately \$20 million available of direct grants of no more than \$3 million to city and county governments that have lost more than 25 percent of their revenues.

This would be accomplished by issuing \$100 million of Gulf Tax Credit Bonds (GTC Bonds) for the purposes of paying the state's existing debt service, \$100 million of funds previously dedicated to debt service will be available to invest over a two year period, at which time the \$100 million will be used to redeem the GTC Bonds. This two year investment window will yield approximately \$10 million.

An additional \$10 million will be available by redirecting the interest earnings of the Hurricane Disaster Reserve Fund. This is the fund to which the Legislature appropriated \$268 million to provide the state share of the match for FEMA individual and public assistance projects. No General Fund money is required under this plan. The State of Mississippi must issue the GTC Bonds before January 1, 2007, when the authorization expires.

4. School finance: Amend Code to enable levying authorities to consider Community Disaster Loan amounts and other funding sources when approving school district budgets and setting millage rates.

School districts from the three coastal counties and the Mississippi Department of Education have requested the special session call include a provision that deals with school finance matters. Specifically, local school districts (and potentially incorporated municipalities and counties) located in the coastal counties of Jackson, Harrison and Hancock could deduct their Community Disaster Loans and other funding sources from their budget requests. The proposal is to amend statutes that require budget requests to be met by increasing millage rates.

The problem exists in the automatic trigger affect of the current law. If the school district requests in dollars the same amount that it received last year and there aren't enough dollars generated by that same millage rate, an ad valorem tax increase would be put into effect.

The complete text and other details in Governor Barbour's call for this special session may be found at [www.governorbarbour.com](http://www.governorbarbour.com).

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